

SOME CHOICES IN TURNING APPLES INTO DOLLARS

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Changes influencing the marketing of fruit have been quite profound as we look back over the past 30 years. Production areas have become concentrated. Since Ohio growers literally pushed out trees in the late 1930's in an effort to bring about more favorable prices, Ohio production of tree fruits have been declining. Specialized areas located in three states now produce most of the apple crop for the fresh market.

Central market facilities which were at their peak about 30 years ago are now only a shadow of their former importance in the marketing of fruits. Wholesale buyers have become more dispersed as retail organizations have tended to take over both the buying and the physical handling of more fruit. We have had a break-up of the older system of assembling production at central facilities and then dispersing it to sales points in the area. As these changes have been made, brokers have stepped into the picture as a facilitating group to bring buyer and seller together.

Ohio growers have an additional influence of being close to a concentration of population. On the surface, this appears to have distinct advantages. In reality, however, the advantages may not have the payoff it seems reasonable to expect. In this situation all fruit, all grades, all qualities tend to be placed in the consumer's hands somewhere. More distant producing areas cannot ship the lower quality--it just isn't possible

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costwise. The costs of packing, selling, and shipping are too great to market low grade fruit. Thus, our "average" quality of fruit in some markets tends to compare unfavorably with that shipped from more distant producing areas. Since we do not ordinarily ship to distant points, the maturity--quality factor and quality in general from picking through storage to sales may seem less critical. Locally produced apples in too many cases have an image in the trade which is not too favorable.

In this setting, then, what are the alternatives for the Ohio grower? The major choices seem to be these:

- 1) Pick-your-own
- 2) Farm Market
- 3) Wholesale route to stores
- 4) Wholesale to retail distribution centers
- 5) Wholesale by marketing agency
- 6) Wholesale through packing house and marketing agency.

These choices are not mutually exclusive. Any one grower may attempt to use several methods. Growers can also cooperate to use common packing and sales facilities.

The order of listing of these choices is deliberate. As we move from (1) to (6) some key factors necessary to arrive at a decision seem to become more critical. Size of the production unit would seem to be one of these factors. If we assume that 30 acres of fruit can be marketed profitably in a pick-your-own operation, it seems likely that the size would need to be increased as we move down the list. Another of these key factors is

maturity--maturity at picking time , ripeness in storage, and at point of sale. Maturity and ripeness become extremely critical as the crop is wholesaled, distributed over a large geographical area, and as the season is lengthened by increased storage time.

It may be useful to develop a list of key factors such as investment costs, managerial skills, effective competition, size of marketing area, labor costs, and availability that tend to shift as we move from one choice to another.

In Table I some of these key factors are listed. This list is not arranged in any order of importance or significance. It may be useful in checking where two choices from the above list are under consideration. Can you isolate a few areas that for you are or would become critical? Are these areas where you can exercise some degree of control? This second list is not complete. You may need to add or subdivide to account for your own unique operation and abilities.

Each of the six major choices listed above present an alternative for Ohio growers. There is a place for each method of marketing. As in other businesses, the biggest opportunities also may carry the highest risk. How you recognize and reduce these risks may well be the topic for a management section in your next meeting.

Table 1

KEY FACTORS IN THE MARKETING DECISION

	Pick Your Own	Farm Market	Whsle. Route to Stores	whsle. to Dist. Centers	whsle. Through Market Agency	whsle. Through Pkg. House and Mkt. Agency
Size of Production Unit (boxes marketed)						
Total Investment Needs (\$)						
No. of Months of Critical Management Decisions						
Critical Nature of Labor Supply (0-10)						
Size of Market Area (0-10)						
No. of Competing Growers (0-10)						
No. of Varieties Market Will Readily Accept (0-10)						
Ability Needed to Organize & Manage Efforts of Other People (0-10)						
Merchandising Skills Required (0-10)						
Sales Ability Needed (0-10)						
Critical Nature of Quality Control						
Production (0-10)						
Harvesting & Storing (0-10)						
Packing (0-10)						
Marketing (0-10)						
Costs Per Box Marketed (\$)						
Production						
Harvesting & Storing						
Packing						
Selling						
(A) Total Costs Per Box Marketed						
(B) Potential Returns Per Box						
(C) No. of Boxes Marketed						
(D) Potential Returns (B-A) x C						